Filing at a Glance

Company:	ShelterPoint Insurance Company
Product Name:	SPI Grp HIP Rate
State:	District of Columbia
TOI:	H14G Group Health - Hospital Indemnity
Sub-TOI:	H14G.000 Health - Hospital Indemnity
Filing Type:	Rate
Date Submitted:	08/05/2014
SERFF Tr Num:	FRSR-129630461
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	SPI GHC714 P RATES
Implementation Date Requested:	On Approval
Author(s):	Jane Neal, David Melman, Lauren Regnery, Christopher Crapo, Jackie Tootchen, Courtney Patrick, Abby Huber, Allison Smith, Kathy Nangle, Karen Lam, Amber Myers
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Implementation Date:	

State Filing Description:

State: *District of Columbia* ***Filing Company:*** *ShelterPoint Insurance Company*
TOI/Sub-TOI: *H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity*
Product Name: *SPI Grp HIP Rate*
Project Name/Number: */*

General Information

Project Name:
Project Number:
Requested Filing Mode: Review & Approval
Explanation for Combination/Other:
Submission Type: New Submission
Group Market Type: Employer
Filing Status Changed: 08/05/2014
State Status Changed:
Created By: Abby Huber
Corresponding Filing Tracking Number: FRSR-129630462

Status of Filing in Domicile: Pending
Date Approved in Domicile:
Domicile Status Comments:
Market Type: Group
Group Market Size: Small and Large
Overall Rate Impact:

Deemer Date:
Submitted By: Abby Huber

Filing Description:

RE: ShelterPoint Insurance Company
NAIC # 89958 FEIN #86-0367818
GROUP HOSPITAL INDEMNITY INSURANCE PROGRAM
Rates & Actuarial Memorandum
SERFF Tracking No: FRSR-129630461

McHugh Consulting Resources, Inc. has been requested to file the enclosed rates on behalf of ShelterPoint Insurance Company. We have provided an authorization letter for your files.

We are submitting the above captioned for your review and approval. The corresponding forms have been submitted separately under SERFF Tracking #FRSR-129630462. Thank you for your attention to this filing. Should you have any questions, or require additional information, please do not hesitate to contact me.

Sincerely,

Laura A. Hoogland, Consultant
McHugh Consulting Resource, Inc.
215-230-7960
mcr@mchughconsulting.com

Attachments

Company and Contact

Filing Contact Information

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Great Neck, NY 11021

dmelman@firstrehab.com
516-829-8100 [Phone] 350 [Ext]
516-504-6454 [FAX]

State: *District of Columbia* ***Filing Company:*** *ShelterPoint Insurance Company*
TOI/Sub-TOI: *H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity*
Product Name: *SPI Grp HIP Rate*
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Filing Company Information

ShelterPoint Insurance Company
600 Northern Blvd.
Ste. 310
Great Neck, NY 11021
(516) 829-8100 ext. [Phone]

CoCode: 89958
Group Code: 4803
Group Name:
FEIN Number: 86-0367818

State of Domicile: Florida
Company Type:
State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:

SERFF Tracking #:	*FRSR-129630461*	***State Tracking #:***		***Company Tracking #:***	*SPI GHC714 P RATES*

State:	*District of Columbia*	***Filing Company:***	*ShelterPoint Insurance Company*
TOI/Sub-TOI:	*H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity*		
Product Name:	*SPI Grp HIP Rate*		
Project Name/Number:	*/*		

Rate Information

Rate data applies to filing.

Filing Method:	Review and Approval
Rate Change Type:	Neutral
Overall Percentage of Last Rate Revision:	%
Effective Date of Last Rate Revision:	
Filing Method of Last Filing:	

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
ShelterPoint Insurance Company	0.000%	0.000%	$0	0	$0	0.000%	0.000%

SERFF Tracking #:	*FRSR-129630461*	***State Tracking #:***		***Company Tracking #:***	*SPI GHC714 P RATES*

State:	*District of Columbia*	***Filing Company:***	*ShelterPoint Insurance Company*
TOI/Sub-TOI:	*H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity*		
Product Name:	*SPI Grp HIP Rate*		
Project Name/Number:	*/*		

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		PREMIUM RATES FOR HOSPITAL CASH COVERAGE	SPI GHC714 P DC, SPI GHC714 C DC	New		DC -Premium Rates - SPI GHC714 07.24.14.pdf,
2		Actuarial Memorandum - SPI GHC714 P	SPI GHC714 P DC, SPI GHC714 C DC	New		Actuarial Memorandum - SPI GHC714 07.24.14.pdf,

PREMIUM RATES FOR HOSPITAL CASH COVERAGE

STATE OF District of Columbia

 # SPI GHC714 P DC

Contributory and Voluntary Basis:

Small Group (Under 50 Employees)

Age	Monthly Rate per $100 Daily Benefit
Under 18	$ 6.57
18 – 39	$ 6.04
40 – 49	$ 7.10
50 – 59	$ 9.26
60+	$ 11.70

Large Group (50 or More Employees)

Age	Monthly Rate per $100 Daily Benefit
Under 18	$ 6.04
18 – 39	$ 5.56
40 – 49	$ 6.53
50 – 59	$ 8.52
60+	$ 10.76

Non-Contributory Basis:

	Monthly Rate per $100 Daily Benefit	
	Small Group	Large Group
Per Adult	$ 4.50	$ 4.25
Children (per Unit)	$ 4.50	$ 4.25

Optional Benefits (Regardless of Group Size)

Optional benefits are at the same dollar level as the regular daily benefit and are rated as a percentage of the Base Premium Rates.

OUTPATIENT SURGERY:	+ 20% of base rate
INTENSIVE CARE UNIT (ICU):	+ 10% of base rate
EMERGENCY TRANSPORT / AMBULENCE:	+20% of base rate

ShelterPoint Insurance Company

Actuarial Memorandum

Date: June 19, 2014

RE: Hospital Cash Benefit Product – Development of Premium Rates SPI GHC714 P

The purpose of this memorandum is to present the pricing assumptions and methodology for ShelterPoint Insurance Company's ("SPI") Group Hospital Cash Benefit product. The general nature of this product is to provide a fixed dollar daily allowance to insured individuals who are confined as patients within a hospital. The daily benefits are only applicable for situations where such individuals have an inpatient stay (i.e., emergency room visits are excluded), and there are certain inpatient situations which are excluded, such as for mental & nervous / psychiatric conditions and substance abuse, as well as most normal maternity situations occurring within the first 10 months of coverage (this latter exclusion can be viewed as a type of pre-existing conditions exclusion).

Base Policy Benefits

A reasonable starting point for developing the assumptions is the hospital Inpatient Days per 1,000 experience for leading medical insurers / managed care organizations (MCOs). Since the initial market focus of the product offering will be New York State, geographic-specific results would be the most relevant. In obtaining such recent information, I relied upon recent experience statistics from one of the MCOs operating within Downstate New York as well as upon information obtained from two of the national actuarial consulting firms.

Recent experience results for the particular MCO within New York State (primarily within the Downstate areas) indicated annual Inpatient Hospital utilization of 240 Days per 1,000 members. Members included both employees and covered dependents (spouses and children), and the measurement of days per 1,000 included all types of confinements (including mental & nervous, substance abuse and maternity regardless of date of conception) with the exception of newborns. Additionally, the days included covered confinements within Skilled Nursing Facilities. This particular MCO's operational model, as has been the case with the other MCOs operating within Downstate New York, has managed care fairly tightly. The target population that SPI anticipates covering represents primarily a cross-section of the smaller employer population, some of which provide medical coverage for their employees (most of this would be tightly managed) and some of which do not provide medical insurance benefits. Additionally, the very existence of daily hospital benefits, even though somewhat modest in nature (especially as compared to the likely magnitude of applicable hospital bills), might result in some degree of escalation in the level of hospital utilization. Given these considerations, a "safe" pricing approach would be to go with hospital utilization levels more akin to a "loosely managed" / indemnity-type medical insurance environment. While 240 days per 1,000 would be applicable to a reasonably strong MCO environment, annual utilization at a level of 300 Inpatient Days per 1,000 would be more representative of a loosely managed situation.

Since one of SPI's marketing options will be to offer the product on an employee-only basis, it is necessary to break down the 300 Inpatient Days per 1,000 assumption into adult vs. child components. There are two key assumptions utilized in accomplishing this:

1. In a typical insured population, approximately 2/3rds of the covered membership are adults and 1/3rd is children.
2. Based on the health care cost guidelines of one of the actuarial consulting firms, a typical child utilizes about half of the hospital days as an adult.

Based on this, the number (N) of adult inpatient hospital days per 1,000 may be obtained from the following equation:

$$2/3\ (N) + 1/3(\ .5\ N) = 300$$

$$N = 360$$

This 360 inpatient days per 1,000 figure is very consistent with the CY 2010 version of that consultant's guidelines, which incorporate adult annual hospital utilization of 358 days per 1,000. Note that the 358 days includes approximately 30 days for Skilled Nursing Facility confinements, i.e., the utilization figure without the Skilled Nursing Facility component would be 328 days per 1,000.

Assuming annual inpatient hospital utilization of 360 days per 1,000 adults, then the annual claim cost for a $ 100 daily cash benefit would be calculated as:

$$(\ \$\ 100 \times 360\ ) / 1000 = \$\ 36.00$$

This equates to a monthly claim cost of $ 3.00. This product will be sold primarily within the small employer marketplace, and if we assume a 60% target loss ratio, then the monthly annual premium per $ 100 of daily hospital confinement benefit would be $ 3.00 / .60 = $ 5.00. This $ 5.00 monthly rate would be applicable if all inpatient hospital days (other than those for newborns but including Skilled Nursing Facilities) covered by medical insurance qualified for the daily cash benefit. In fact, this is not the case. Confinements covered by medical insurance but not eligible for the daily cash benefits include the following:

1. Mental & Nervous / Psychiatric and Substance Abuse
2. Normal Pregnancies, including elective C-sections, resulting in births within 10 months of the effective date of coverage
3. Treatment commenced within the first 6 months of coverage for pre-existing conditions
4. Skilled Nursing Facilities – Those that are not immediately preceded by an inpatient hospital stay plus any days beyond 5 within a given calendar year.

In terms of Mental & Nervous and Substance Abuse situations, one of the actuarial consulting firms' guidelines incorporated overall inpatient utilization of 310 days per 1,000 within an "unmanaged care" environment. Included within those 310 days were 26 days for Mental & Nervous / Psych and 16 days for Substance Abuse. Together, these two categories represent 13.5% of overall inpatient days. Because of the fact that some of the target population is insured under more tightly managed programs, and the management on mental health and substance abuse can often yield savings results proportionately greater than the savings for other types of medical care, the premium development for the Hospital Cash Benefit product assumed a 10% underlying cost savings.

Items 2 and 3 are a bit more difficult to quantify in that they represent material savings (primarily from the maternity piece) up-front, but then the savings vanish late in the initial year of coverage. The overall impact to pricing will be a function of the average duration of coverage under the plan.

Additionally, pre-existing conditions situations may be difficult to identify, especially within the new federal health reform environment, so that the bulk of the savings will arise from the temporary maternity exclusion. Within the 310 days per 1,000 in the unmanaged environment, approximately 40 days (12.9% of the total) are attributable to maternity. If we assume that the typical insured individual keeps the coverage for a total of 4 years, then the percentage savings impact would be calculated as:

12.9% x (10/48) = 2.7% .

The pricing assumed the savings to be 2.5%.

Note that a shorter average duration of coverage would result in a somewhat higher savings percentage while a higher average duration (not likely based on both employment longevity and policyholder persistency) would mean something slightly lower.

In terms of the Skilled Nursing Facilities, while not all of the days incorporated within the various managed health care statistics will be covered, the mere existence of the daily cash benefit will likely result in additional Skilled Nursing Facility utilization immediately following hospital discharge. As such, no cost savings have been assumed for the Skilled Nursing Facilities component.

Taking the above savings together, there would be a cost savings of approximately 12.5% savings (10% from Mental & Nervous / Substance Abuse and 2.5% from the temporary maternity restriction). Applying this to the $ 5.00 premium rate derived above would yield a reduced monthly rate of $ 4.38 per $ 100 of daily benefit for adults.

To this point, all of the pricing assumptions have been based on hospital utilization statistics representative of the New York medical insurance marketplace. Given the typical levels of participation on employer-based medical insurance, it would be reasonable to view this as being somewhere between a typical contributory basis (at least 75% participation after qualifying waivers of coverage) and a non-contributory basis. For developing the pricing of this new product, I have assumed that this starting-off point is more representative of the non-contributory environment. SPI envisions that the daily cash benefit will be offered on a contributory basis. Most likely, however, the employees will be asked to contribute most if not all of the entire cost. As such, participation will not likely meet the 75% threshold so that we will probably wind up in a "Voluntary" environment. Therefore, the $ 4.38 monthly rate needs to be adjusted to a Voluntary basis. The following compares the existing factors for Non-Contributory and Voluntary for Dental and Vision product offerings of SPI's affiliated company, First Rehabilitation Life:

	Dental	Vision
Non-Contributory	0.90	0.90
Voluntary	1.18	1.25
Load	+ 31%	+ 39%

Given the somewhat higher level of potential benefit, I have assumed that a 50% load factor would be appropriate for this new product. This would bring the $ 4.38 monthly rate up to $ 6.57.

Note that the $ 6.57 monthly premium figure is an average for all adults, and it is well established that hospital utilization varies materially by age. While SPI does not have any proprietary information on the appropriate age slope of premium rates, we do have information with regard to the premium rates being charged by AFLAC (the leader in this type of product). Based on AFLAC's observed premium slope by age, we are utilizing the following factors for adults:

18 – 39	0.92
40 – 49	1.08
50 – 59	1.41
60 – 70	1.78

With respect to premium rates for Children, the expected medical costs for a child are approximately half of those for an adult, and the typical Child(ren) unit averages approximately 2.0 Children. As such, the premium rate utilized for the Child(ren) coverage unit will be $ 6.57, which represents the average Adult rate.

Note that this benefit will also be marketed on a non-contributory (employer-pay-all) basis. Under such approach, the degree of antiselection should be virtually eliminated. As such, the $ 6.57 figure for average monthly rate per covered adult and per child(ren) unit can be reduced to approximately $ 4.50 [$ 6.57 / 1.50 = $ 4.38; rounded to $ 4.50]. On a non-contributory basis, the adult pricing will be on a "community" basis, exclusive of age variation.

Variable Benefits

The following features are contained within the variable language of the policy form but are not considered part of the standard benefit offering priced above.

1. Outpatient Surgery – Single $100 Benefit (maximum of one per year)
2. Intensive Care Unit – Extra $ 100 per day – maximum of 5 days per year
3. Emergency transportation / Ambulance – Single $100 Benefit (maximum one per year)

The Outpatient Surgery benefit cost is developed as follows:

a. Based on a Milliman Benchmark report presented at a meeting of the Society of Actuaries in the early 2000s, there is the assumption of 93 outpatient surgery cases per 1,0000 annually. Given that adult claim costs and utilization are about double those of children, and adults represent about 2/3rds of a typical insured population (medical coverage), the equivalent adult frequency would be 111.6 per 1000.
b. Given a single benefit of $100, the maximum annual cost would be $11,160 per 1,000. This assumes that no one has multiple episodes of outpatient surgery.
c. This equates to a monthly cost per adult of $0.93 and a gross monthly premium of $1.55. Given that the average adult premium rate for the base benefit is $6.57, this would equate to a 23.6% load.
d. Because there is a strong likelihood that the statistics include situations of multiple surgery episodes, the 23.6% load is somewhat overstated. Therefore, the pricing load for this benefit option will be set at 20% of the premium rates for the Base Benefit.

For the Intensive Care Unit benefit, it is estimated that approximately 10% of all inpatient hospital days are within the Intensive Care Unit. As such, the load for this benefit option will be set at 10% of the premium rates for the Base Benefit.

For the Emergency Transportation / Ambulance benefit, I am guessing that approximately 10% of the insured population would have at least one such incidence during a year, especially given the availability of this benefit. Based on a single $ 100 benefit, then the annual claim cost per 1,000 insured would be $ 100 x .10 x 1000 = $ 10,000. This would equate to a monthly claim cost per insured of $0.83 and a gross premium rate of 1.38. Relative to the Base Benefit plan rate of $6.57, this would suggest a loading of 21.1%. A loading of 20% will be utilized.

Groups of 50 or More Participating Employees

A size discount of 8% will be utilized to reflect the approximate actuarial difference between the 60% and 65% minimum loss ratio requirements for small groups and large groups, respectively.

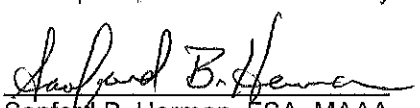
Monitoring of Claims Experience

Because the Hospital Cash Benefit product is a brand new coverage for SPI, the premium rates have been developed utilizing best estimates based upon relevant available data. It is likely that emerging experience will ultimately show variances from the assumptions made for this original pricing. SPI will be closely monitoring the emerging experience and, as credible information and results become available, will make timely adjustments to the pricing of this product as warranted.

Compliance Certification

I, Sanford B. Herman, FSA, MAAA, am qualified under the current American Academy of Actuaries' standards to provide this memorandum.

I certify that the proposed rates are reasonable in relation to the benefits provided, are not inadequate, excessive or unfairly discriminatory.



Sanford B. Herman, FSA, MAAA
Senior Vice President & Chief Actuary, the First Rehabilitation Life Insurance Company of America

SERFF Tracking #:	*FRSR-129630461*	***State Tracking #:***		***Company Tracking #:***	*SPI GHC714 P RATES*

State:	*District of Columbia*	***Filing Company:***	*ShelterPoint Insurance Company*
TOI/Sub-TOI:	*H14G Group Health - Hospital Indemnity/H14G.000 Health - Hospital Indemnity*		
Product Name:	*SPI Grp HIP Rate*		
Project Name/Number:	*/*		

Supporting Document Schedules

Bypassed - Item:	Cover Letter All Filings
Bypass Reason:	please see filing description on the general information tab
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Certificate of Authority to File
Comments:	
Attachment(s):	McHugh Authorization Letter (SPI) 7-11-14.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum
Comments:	see rates tab please
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Justification
Comments:	complied, see rates tab
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	not applicable to filing
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	not applicable to this filing (p & c only)
Attachment(s):	
Item Status:	
Status Date:	

SERFF Tracking #:	*FRSR-129630461*	***State Tracking #:***		***Company Tracking #:***	*SPI GHC714 P RATES*

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Bypassed - Item:	Actuarial Memorandum and Certifications
Bypass Reason:	Please see rates tab
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Unified Rate Review Template
Bypass Reason:	not applicable to this filing, no QHP
Attachment(s):	
Item Status:	
Status Date:	

SHELTERPOINT

ShelterPoint Insurance Company
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Fax: 516.504.6412 (main) | 516.504.6436 (service) | 516.504.6414 (claims)
www.shelterpoint.com | Phone: 800.365.4999]

July 11, 2014

Re: ShelterPoint Insurance Company (NAIC #89958) Authority Designation for McHugh Consulting for SERFF Form Filings

Dear Sirs:

This letter acts as authorization for McHugh Consulting Resources and its representative analysts to file any or all policy forms on behalf of the above referenced company and to serve as the primary contact on behalf of the company regarding such filings while under review. Please contact McHugh Consulting Resources with questions or comments regarding the enclosed filing.

Sincerely yours,